

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: Energy Efficiency Rebate Programs

SPONSOR(S): McKeel

TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) _____	_____	Delaney	Leznoff
2) _____	_____	_____	_____
3) _____	_____	_____	_____
4) _____	_____	_____	_____
5) _____	_____	_____	_____

SUMMARY ANALYSIS

The Florida Energy and Climate Commission (FECC) created the Florida Energy Star Residential HVAC Rebate Program (HVAC Rebate Program) in August 2010 without authorized funding. The FECC sought funding through the Legislative Budget Commission (LBC); however, as the funding transfer request was not lawfully permissible no action was taken by the LBC. Consequently, the FECC suspended the program and announced that all applications were pending legislative action. The program was intended to provide \$1,500 rebates for the purchase and installation of eligible HVAC systems. Approximately 2,700 applications have been submitted, but have not been processed for eligibility due to the suspension of the program.

The Florida Legislature created the Solar Energy System Incentives Program (Solar Rebate Program) in 2006 to encourage homeowners and businesses to purchase and install solar energy systems. Rebates ranged from \$100 for solar pool heaters to up to \$100,000 for solar energy systems for businesses. Systems installed from July 1, 2006 to June 30, 2010 were eligible for limited rebates on the purchase and installation costs, subject to legislative appropriation.

Since 2006, the Legislature has appropriated over \$25 million in funding for the Solar Rebate Program. However, the funds have been depleted and a backlog of over \$52 million in unpaid rebate applications has accumulated as of October 2010.

The bill provides for payment of HVAC rebates, meeting the requirements established by the FECC in agreement with the United States Department of Energy (USDOE), for systems purchased between August 29, 2010 and September 15, 2010, or for systems contracted for between those dates and purchased by November 30, 2010.

The bill provides that any remaining funds, after processing payment of all approved HVAC rebates, be used to proportionally pay all unpaid and approved rebate applications in the Solar Rebate Program backlog. It appears that sufficient funds should be available to pay 50 percent or more of the original rebate amount, depending on the ultimate size of the backlog, and the amount of funds necessary to pay HVAC rebates as directed in this bill.

The bill appropriates \$2,467,244 in nonrecurring federal trust funds to the HVAC Rebate Program, which due to federal grant restrictions is limited to Energy Star appliance rebates. In addition, the bill immediately reverts and reappropriates \$28,902,623 in nonrecurring federal trust funds, which may be used for either type of rebate.

The bill provides an effective date of upon becoming law.

HOUSE PRINCIPLES

Members are encouraged to evaluate proposed legislation in light of the following guiding principles of the House of Representatives

- Balance the state budget.
- Create a legal and regulatory environment that fosters economic growth and job creation.
- Lower the tax burden on families and businesses.
- Reverse or restrain the growth of government.
- Promote public safety.
- Promote educational accountability, excellence, and choice.
- Foster respect for the family and for innocent human life.
- Protect Florida's natural beauty.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation:

HVAC Rebate Program

The Florida Energy and Climate Commission (FECC) approved the Florida Energy Star Residential HVAC Rebate Program during a May 21, 2010, Commission meeting. The program was set to commence on August 30, 2010, and terminate on December 31, 2010, or when funds were depleted. The program was intended to provide for \$1,500 rebates for the purchase and installation of eligible HVAC systems, which included passing a duct inspection.

The Governor publicly announced the program on August 20, 2010. On August 31, 2010, the FECC submitted a budget amendment for the September 14, 2010, Legislative Budget Commission (LBC) meeting to transfer approximately \$17.5 million in federal 2009 American Recovery and Reinvestment Act (ARRA) funds (\$15 million of which were from a Fixed Capital Outlay (FCO) appropriation) to a suitable operating category to fund the program. However, the LBC does not have authority to approve transfers from an FCO category. Section 216.292, F.S., provides that an FCO appropriation may not be expended for another purpose. Accordingly, the amendments were not placed on the LBC agenda. Due to the lack of authorized funding, the FECC removed the application from its web page and announced on September 14, 2010, that all rebates filed under the program were pending legislative action, thus suspending the program.

According to FECC staff, approximately 2,700 applications had been submitted as of October 25, 2010. It is unknown at this time how many of these applications qualify for the rebate or how many were submitted between the time the program was announced and the date the application was removed from the web and the program was suspended.

Solar Rebate Program

The Florida Legislature created the Solar Energy System Incentives Program (Solar Rebate Program) in section 377.806, Florida Statutes, in 2006 to encourage homeowners and businesses to purchase and install solar energy systems. Authorized rebates ranged from \$100 for solar pool heaters to \$100,000 for large solar energy systems to cover a portion of the purchase price and installation costs. Systems installed from July 1, 2006 to June 30, 2010 were eligible for a rebate on a portion of the purchase price and installation costs, contingent upon available funding, as follows:

- Solar Photovoltaic System (solar panels): \$20,000 maximum residential
\$100,000 maximum business;
- Solar Thermal System (water heater): \$500 residential
\$5,000 maximum business;
- Solar Thermal Pool Heater: \$100.

The Legislature provided annual funding for the program, as follows:

FY 2006-07	\$2.5 million in General Revenue
FY 2007-08	\$3.5 million in General Revenue
FY 2008-09	\$5.0 million in General Revenue
FY 2009-10	\$14.4 million in federal ARRA 2009 funds
FY 2010-11	No funding was provided.

The program proved much more popular than anticipated. Additionally, the FECC did not announce that funds for the program had been depleted until several months after the fact. These factors contributed to a backlog of over 13,000 applications for rebates valued at over \$52 million as of October 2010. The unpaid rebate applications date as far back as June 2009.

Effects of Bill:

The bill appropriates \$2,467,244 in nonrecurring federal trust funds and immediately reverts and reappropriates \$28,902,623 in nonrecurring federal trust funds to an appropriate operating category to fund provisions of this act. The source of the \$2,467,244 appropriations is unused funds from the federal Energy Star Appliance Rebate award which may not be used for solar rebates. The remaining funds are from State Energy Program grants and may be used for either purpose.

The bill provides eligibility criteria for HVAC rebate applications, and provides for approved applications submitted on or before November 30, 2010, for systems purchased or contracted for after August 29, 2010 but before September 15, 2010, to receive a rebate in the amount of \$1,500 as directed in the program originally approved by the FECC as approved by the United States Department of Energy (USDOE). If the amount of the approved rebates exceeds \$2,467,244, then a portion of the remaining appropriation in the bill may be used.

The bill also provides that remaining funds (estimated to be around \$28.9 million), be used to proportionally pay all unpaid and approved rebate applications for the Solar Rebate program. It appears that sufficient funds are appropriated in the bill to cover over 50 percent of the original rebate amount provided in law, depending on the final size of the approved backlog and the amount of funds ultimately needed to pay HVAC rebates, as also directed in the bill.

In total, the bill appropriates \$31,369,867 in federal trust funds (American Recovery and Reinvestment Act of 2009).

The bill also provides that applicants obtaining rebates based on information known to be false commit a theft, punishable by s. 812.014, F.S.

The bill provides an effective date of upon becoming law.

B. SECTION DIRECTORY:

Section 1. Provides for payment of eligible rebate applications under the Florida Energy Star Residential HVAC Rebate Program.

Section 2. Directs the FECC to use up to \$28,902,623 in federal trust funds, less any amount used to pay rebates in excess of \$2,467,244 in Section 1., to pay a percentage of outstanding solar rebate applications, notwithstanding s. 377.806(6), F.S.

Section 3. Appropriates \$2,467,244 in nonrecurring funds from the Grants and Donations Trust Fund, and immediately reverts and reappropriates \$28,902,623 from the Grants and Donations Trust Fund to the FECC.

Section 4. Provides that applicants obtaining rebates based on information known to be false commit a theft, punishable under s. 812.014, F.S.

Section 5. Provides that the bill take effect upon becoming law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues: None
2. Expenditures: \$31,369,867 in federal trust funds (ARRA 2009). \$2,467,244 of the total funding comes from the Energy Star Appliance Rebate award and can only be used to provide rebates on qualified Energy Star appliances. The remaining \$28,902,623 comes from federal State Energy Program grants and may be used for either purpose.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues: None
2. Expenditures: None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

As payments are retroactive in nature, there will be limited impact on the business sector. Approved rebate applicants covered under the bill will share up to \$31,369,867.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:
None.
2. Other:

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COUNCIL OR COMMITTEE SUBSTITUTE CHANGES

Not applicable.